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Eighteenth session

SUMMARY RECORD OF THE 505rd MEETING

Held at the Palais des Nations, Geneva,
on Tuesday, 5 September 1970, at 3.30 p.m.

President: Mr. CASTELLANOS (Venezuela)

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The meeting was called to order at 3.45 p.m.

INTERDEPENDENCE OF PROBLEMS OF TRADE, DEVELOPMENT, FINANCE AND INTERNATIONAL MONETARY SYSTEM (agenda item 2) (TD/B/7 ? and Add.1 and 2) (continued)

FIFTH SESSION OF THE UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT: OBJECTIVES, PROVISIONAL AGENDA, PREPARATORY WORK AND ORGANIZATION (agenda item 4) (continued) (TD/B/L.507 and Add.1)

1. Mr. KEMATTAR (Jamaica) said that interdependence did not mean that the development of the developing countries should depend on the growth of the developed world through the so-called spill-over effect. It was a working hypothesis which reflected the fact that all nations formed an interdependent world economy. That idea should be expressed in a comprehensive system of mechanisms and arrangements that would facilitate and underpin the faster progress of the developing countries in a context of over-all growth and stability. It was thus most useful in clarifying issues, supporting negotiations and identifying priorities in areas of major interest for the success of development programmes in developing countries.

2. The trade prospects of those countries were crucial to the success of their development programmes and were themselves dependent on demand conditions in world markets and trade barriers. Developing countries could not direct their investment programmes designed to promote export diversification and industrialization in an uncertain world economic environment where trade barriers proliferated, mainly because of structural problems within the developed market economy countries.

3. Access to capital markets, an issue of growing importance for many developing countries, was largely governed by market perceptions as to the export potential of the individual developing countries, and was thus connected with their access to the domestic goods markets in the developed countries. Once again, the link between slowing world trade and the proliferation of trade barriers was clearly recognizable.

4. The transfer of real resources to developing countries to support their development programmes took on new dimensions when viewed in the context of interdependence. First, its raison d'être was to promote the development of those countries. However, from the point of view of the world economy, the most productive use of such financial resources was in the developing countries. Secondly, since those resources would be used to a large extent to purchase imports from the developed countries and, in general, would stimulate world demand, the real cost to the developed market economy countries of such transfers of financial resources would be much less than the apparent cost.

5. The argument that increased demand by developing countries for products from the developed market economy countries would have inflationary consequences illustrated the latter's unwillingness to adjust to new world economic conditions and the tendency of many of them to support declining industries that had lost their competitive edge in world markets rather than to promote investment in sectors and industries where world demand was rising.

adopting a global conception of those problems. He wished, on the eve of UNCTAD V, to confirm his delegation's position and to express the hope that the Board's consideration of the question would help to create favourable conditions for an objective study of the concrete problems that would have to be solved at Manila.

11. That did not mean, however, that the Soviet delegation was ready to agree to give the idea of interdependence a sense quite different from that specified in the UNCTAD resolutions, and in particular in resolution 144 (XVI) of the Board, by speaking, as some people had done, of the interdependence of States. It was incontestable that many links existed between States, but no particular political conclusion could be drawn from that fact. Certain delegations, however, gave the impression that when they spoke of global interdependence they meant that since everything was linked in the world economy, responsibilities and obligations should be shared equally by all States. In reality, the responsibilities belonged especially to those which had the means to overcome the crisis in the world capitalist economy and were responsible for it, namely the capitalist countries themselves.

12. The history of the 1970s had shown that, in conformity with the laws of capitalism, based on exploitation, the upheavals in the world capitalist economy, while bringing to nothing the plans and hopes of certain countries, had provided an opportunity for other countries to become richer, to consolidate their economic position, and even to dictate conditions inspired by their selfish interests. Although unemployment in the capitalist countries had never been so high since the war, the profits of the monopolies had reached unequalled proportions. At the international level, the development of a large number of countries in Africa, Asia and Latin America had been jeopardized by the crisis, and that had made the already difficult situation of millions of their inhabitants still more serious.

13. It appeared from the documents provided by the UNCTAD secretariat that larger and larger amounts of private capital had been invested in the developing countries. The direct investments of companies and the operations of private banks of Western countries had reached record levels. The result had been that the Western investors and creditors had tapped the resources of the developing countries to a rapidly increasing extent. The profits from the investments of Western companies in developing countries had reached a level of 25 per cent, or twice that of investments in the economy of the developed capitalist countries. From other sources it was known also that more than half the profits of the New York banks were derived from their operations in developing countries.

14. It should be pointed out once again that the socialist countries had taken no part in the upheaval of the world capitalist system, although on the other hand the adverse trends that had appeared in the capitalist countries had had very pronounced repercussions on the economy of the socialist countries.

46. The community of interest between socialist countries, developing countries and even certain quarters in the developed market economy countries lay also in their efforts to contain the expansion of the multinational corporations. There existed a great danger that the new international economic order would become the subject of an much heated right as it sought to reform the selfish interests of those corporations.

47. That was why a united and developing countries should unite [illegible] mutually co-operation on the basis of mutual benefit. Such "win through trade" was preferable to purely financial transfers, which for countries like his were very difficult to generate. It was to be hoped that the discussion in East-South relations on the question of transfers of resources, on the other hand, concerned a trade order consisting of progressive mutual structural adjustment would assist in the attainment of development targets at both ends.

48. Mr. ZHUKOV (Ukrainian Soviet Socialist Republic) said that his delegation was fully conscious of the complexity of the present economic situation in developed capitalist countries and in many developing countries, and of the difficulties hindering healthy growth of co-operation and international economic and trade relations. Delays in implementing progressive principles in restructuring those relations gave rise to legitimate concern.

49. Developing countries were the most affected by those difficulties. While the stock language of statistics did not fully convey the [illegible] in the international capitalist division of labour and the existence of international monopolist capital in the key economic sectors of many developing countries.

50. By their short-sighted policies, multinational corporations added to the instability and unfairness of capitalist economic development and worsened economic and political contradictions which were unacceptable. In fact, it undermined the struggle of such corporations to appropriate natural resources and spheres of influence, especially in developing countries. [illegible] UNCTAD should take a more active part in helping developing countries to defend their interests in the face of attempts by multinational corporations to interfere in their economic and political, [illegible].

51. The Ukrainian delegation was greatly concerned about the deteriorating economic and primary commodities and the fall in prices [illegible], particularly industrial and food products. Expenditure of manufactured from developing countries set with trade, political and other obstacles in developed countries, the revival of trade [illegible], which were the main - [illegible] dependency, was taking place very slowly.

52. The interdependence of problems relating to [illegible] development including and the international monetary system was an objective fact. Given the capitalist of the EEC countries tried to use for selfish interests, [illegible] countries were trying to use the objective process of development, the international division of labour and the closer economic relations between countries to justify and maintain the present disparity between the capitalist world's economic system and the economy of developing countries.

53. Confronted with such colonialist and neo-colonialist endeavours, the countries that had actually improved their economic and social development were those which had guided their development towards the State sector, rejecting the old system of land tenure and agriculture, which had introduced a policy of socialization, and acquired true sovereignty over their natural resources and were now training management skills of their own.

54. The Ukrainian SSR had a unified economic system, that of the Soviet Union, and gave economic assistance to developing countries within the framework of bilateral agreements between the Soviet Union and those countries and within the United Nations system. Such co-operation was aimed at helping developing countries to solve their formidable problems and to reinforce their political and economic independence. The Ukrainian SSR, therefore, furnished them with materials and industrial plants, it sent them engineers, doctors and teachers; in its institutes and schools, it trained specialists from those countries and organized seminars, courses and discussions for them.

55. The implementation of national economic development plans of wide scope in the socialist countries would offer new possibilities for widening economic and trade co-operation with capitalist countries and for steadily consolidating over the long term its economic relations with developing countries, [illegible] equality, mutual advantage and respect for sovereignty.

56. From its inception, UNCTAD had received a mandate to discuss the important problems under consideration; but it was obvious that strengthening its authority would give greater weight to its decisions. In view of its universality, the interdependent problems of trade, development financing and the international monetary system should be studied in UNCTAD with the participation of all countries on an equal footing, respecting the principle of mutual advantage and to the interests of all trade partners, without discrimination.

57. Mr. KRISHNASWAMY (India) said that several key negotiations, involving in particular the generalized system of preferences (GSP), the Integrated Programme for Commodities and the multilateral trade negotiations, should take place before the end of 1978. They would reach a culminating point in 1979, when, at the beginning of a new development decade, UNCTAD V could take stock and agree on fresh approaches.

58. World economy was in a state of continuing crisis. The situation was not cyclical but of a long-term structural character. Developing countries had never possessed the means to combat it, although they suffered from both inflation and stagnation, due in particular to supply rigidities, a low degree of diversification, concentration on a limited number of products, surplus labour and inadequate scope for flexibility in public expenditure. The slow pace of adaptation to changing patterns of comparative advantage induced pessimism about immediate prospects. The burden of adjustment was being passed on to the developing countries through expansion of their payments deficits and increase in their indebtedness, worsening of their terms of trade and slowing down of their overall growth.

59. Simultaneously, the post-war institutions and more particularly the Bretton Woods system had broken down, affecting the export earnings of developing countries, whilst overt or covert protectionist tendencies, often outside GATT, had highlighted the present inadequacies. Those were problems which brought out the structural and institutional weaknesses of the international economic system and the need for co-ordinated action with regard to economic relations in different sectors. During economic summit meetings, some developed countries had recognized that co-ordination should be related to money and finance questions and to trade and development. Developing countries should be involved in such deliberations, and the principles determining inter-sectoral relationships should be made more responsive to their needs. He welcomed, therefore, the initiative taken by UNCTAD in tackling the question of interdependence and emphasized the need for a continuing mechanism for pursuing such deliberations.

60. Policies must be evolved and implemented to facilitate the process of adjustment and redeployment of production on the basis of a new and more equitable international division of labour, with restructuring of commodity markets, increased availability of resources and technology to the developing countries, and reform of the monetary system and of the institutional mechanisms.

61. In that context, the Indian delegation viewed the rise in protectionist tendencies in the developed countries with the greatest concern: they created barriers in the sectors in which developing countries had a comparative advantage or increasingly processed their commodities. It was ironic that the developed countries should have resorted to restrictive measures just when several developing countries had been making efforts to liberalize their import regimes. Such protectionist tendencies resulted in a setback for the economy of the third world, but also for the world economy. Proper adjustment measures should be taken on the basis of international consultations.

62. With regard to the multilateral trade negotiations, his delegation thought that there was little hope of a fundamental transformation in trade relationships between developed and developing countries. With regard to the reduction of trade barriers, it seemed likely that the sectors of greatest interest to developing countries would not benefit, or would only partially benefit, from liberalization. On the other hand, for non-sensitive items, there might be an erosion of the terms of preferential access. Furthermore, trade liberalization was largely confined to tariffs, with little prospect of progress in respect of quantitative restrictions. In such an important sector as textiles, there had not even been discussion on quantitative restrictions.

63. It was also likely that efforts to update the rules of international trade in order to meet the particular needs of developing countries would be frustrated. If discussions on safeguard measures and subsidies and countervailing duties did not move in a new direction, they would harm developing countries in a discriminatory fashion and at the same time would reinforce protectionist tendencies. The negotiations in the Framework Group also gave cause for concern. The proposals for procedural improvement submitted by the developing countries were rejected, but they

69. Developing countries should also be helped to export their processed products and manufactures. A major area in that connexion was the financing of export credits.

70. His delegation gave the highest priority to economic co-operation among developing countries, which would not only insulate them from excessive fluctuation in the world economy, but would also enable them to pool their experience and skill. Following the decisions adopted by the Conference of Ministers of Trade of the Economic and Social Commission for Asia and the Pacific and the Conference of Ministers of Non-Aligned Countries, it was to be hoped that the Conference on Technical Co-operation between Developing Countries at Buenos Aires would make recommendations which could form part of a plan of action. At UNCTAD V, comprehensive guidelines should be drawn up for the evolution of concrete schemes for co-operation among developing countries. It would be useful to take advantage of the services of the International Trade Centre UNCTAD/GATT in promoting such co-operation.

71. Mr. ASSEFA (Ethiopia) noted that the report on the World Economic Outlook 1976-1978 (TD/B/712/Add.1) stated in paragraph 36 that the rate of growth of GDP of the least developed countries was 3.1 per cent in 1977 and 3.6 per cent for the period 1970-1977 and that it was expected to be about 4 per cent per annum in the 1978-1979 period. However, the report of the Intergovernmental Group on the least Developed Countries on its second session (TD/B/710) stated in paragraph 11 that during the 1960s the real per capita GDP had grown at a rate of only 0.9 per cent per annum, while from 1970 to 1977 the rate had been only 0.6 per cent. He requested the secretariat to clarify the discrepancy.

72. His delegation had listened with interest to the statement by the Director of the Money, Finance and Development Division, who had spoken of a direct link between the growth of developing countries and economic recovery in developed countries and had emphasized the need for common and co-ordinated action on the finance, trade and monetary levels in order to emerge from the existing situation of inflation, unstable exchange rates, unemployment and the deterioration of the terms of trade of developing countries. Ethiopia was ready to participate in any initiative to that end. The Conference had, however, already adopted resolution 84 (III) in which it stated that problems in the monetary, trade and finance spheres should be resolved in a co-ordinated manner, taking into account their interdependence, with the full participation of developed and developing countries. Six years had passed and the situation had gone from bad to worse. It might be asked why nothing had been done: was it because of lack of awareness of those problems within the international community or of the absence of good will in the various agencies of the United Nations system or, as several delegations had pointed out, was it due to the activities of multinational corporations? Since those corporations controlled the means of production and distribution, in other words trade, it was surely not difficult for them to control the monetary and finance systems as well. Under such conditions, how could the Governments of developed and developing countries introduce fundamental structural changes? It was difficult to believe that countries like France or the United States, if they

vested interests, the other bent on expansion and infiltration, was taking the offensive in order to supplant its adversary and to seek world hegemony. The latecomer among the imperialist powers was engaged with impunity in arms expansion and war preparations. On the pretext of "friendly co-operation" with the developing countries, it wormed its way into the confidence of others and plundered the natural resources, particularly strategic raw materials, of the third world countries, and turned those countries into export markets for its manufactured goods. It spared no efforts to control certain energy supply lines at sea in order to strangle the economies of certain developed countries. Some second world countries were becoming increasingly aware of its schemes and were taking precautions. There was still room, however, which believed it possible to appease the super-powers in question by providing it with energy, goods and technology. History had shown that such a policy would only make it more ambitious.

77. In order to resume the negotiations concerning the Common Fund on a good foundation it was imperative to organize consultations with a view to narrowing the differences as much as possible. The implementation of the integrated programme for commodities would serve the interests not only of the developing countries but also of the developed countries, particularly of Western Europe, which should redouble their efforts to bring the negotiations out of the deadlock.

78. The ever-worsening debt burden of many developing countries was another important problem. Certain agreements had been reached at the ministerial session of the Board on the debt of the least developed countries, but such agreements represented a mere drop in the ocean.

79. A number of second world countries had shown a positive attitude towards the third world, some of them having expressed their support for an early resumption of the negotiations on the Common Fund and others having decided to cancel the official debts of some developing countries. Such action would do a great deal to improve their relations with the third world and counter the expansionist policy of the super-powers.

80. The various negotiations on the establishment of a new international economic order had largely reached deadlock. The terms of trade of many developing countries were deteriorating, the purchasing power of their export earnings was decreasing, and their trade deficits were growing. The economic and military crisis and protectionism in the West were severely affecting those countries. In such circumstances, it was imperative to transform the old international economic order. In considering the provisional agenda for UNCTAD V, the objectives should be to apply the correct principles of the declaration adopted by the General Assembly at its sixth special session. Resolution 165 (XVII) of the Board stipulated that the Conference should have a selective agenda; consideration of secondary items should be avoided so that the Conference could devote itself to solving the major international economic and trade issues.

81. Having defeated the "Gang of Four", the Chinese people had begun a new long march. In order to modernize their agriculture, industry, national defence and science and technology by the end of the century, they would continue to carry out a policy of independence and self-reliance for building socialism, utilizing

[illegible]. In the context of its new Constitution, the Byelorussian SSR, together with the USSR and other Soviet Socialist Republics, had made many efforts to carry out basic transformations and to safeguard socialist achievements. It had increased its productive forces and obtained excellent results on the economic, technical and cultural levels. Its industrial production was 190 times greater than it had been before the Revolution; its economic potential had doubled in seven years; and the 10th five-year plan had been successfully implemented.

[illegible]. His delegation strongly shared the view of speakers who had drawn attention to the need for careful consideration of the problems of protectionism, liberation of international trade and renewal of trade barriers.

[illegible]. He noted with regret that, for the second time, a delegation had failed to respect the constructive spirit in which the Council's discussions took place and had made insinuations which he would not even refute, since they were entirely lacking in terms of time.

[illegible]. Mr. [illegible] (Mexico) said that the word "interdependence" truly reflected the international economic reality of the day, especially that there was a two-way flow and a possible multiplier effect. Developing countries, developed countries and socialist countries were the interdependent players in a game of which they should respect the rules, any one of them being able to affect the others. The rules of the world economic game had been drawn up at the end of the war; the players were the United States, a prostrate Europe and a group of developing countries and colonial territories which were the suppliers of raw materials. Things had completely changed since then. On the one hand, Western Europe and Japan had completely recovered and the economic growth of the socialist countries had been remarkable. On the other hand, the colonies had become independent nations; they had joined the group of developing countries, which were actually becoming industrialized, a process that had changed the structure of production and of specialization on a world scale.

[illegible]. The circumstances having changed, the rules of the game also had to change, and that should be done within the framework of the new international economic order. Since it was only under that new order that the situation of each of the interdependent partners could improve. The problems relating to trade, which were dividing even the international monetary system, should therefore be examined simultaneously, bearing in mind their interdependence with other elements of the new order such as the transfer of technology and industrial restructuring. Any progress in the matter would be facilitated if substantial reforms were carried out in other sectors.

[illegible]. Referring to trends in terms of parallel between exports and GDP. In the period 1960-1976, the share which developing countries represented in GDP at world level had increased by about 25 per cent as compared to that of developed market economy countries. On the other hand, during the same period, their share of world exports as compared with that of market economy developed countries had increased relatively by 50 per cent. That was the result of disparities in changes in export prices, the prices of manufactures having increased at a faster pace than those of primary commodities. In such circumstances, his delegation was not happy about the little progress made hitherto in the negotiations on the Common Fund and the two monetary meetings on primary commodities.

90. [illegible] oil-producing countries suffered from the increase in the prices of oil, the main reason being that the level of commodities, which were the chief components of oil, and of the prices of their exports of manufactures were in line with that increase. It was therefore ideal that the prices of manufactured goods be increased at a faster pace than those of primary commodities. In addition, the capital/labour ratio was lower there in developed countries. The latter could therefore periodically accept a reduction in their real income, which did not occur during inflation and economic crisis in developed countries.

91. In those circumstances, the principal task [illegible] would be [illegible] to change their import [illegible] and development programmes. In the 1974-1977 period, their deficit [illegible] rose from $40 billion to $120 billion at the end of 1977, or [illegible] oil-exporting developing countries [illegible] $110 billion. [illegible] in order to meet short-term [illegible] to public banks at [illegible] interest. The problem of transfers [illegible] arose resulting from the increase in the oil bill. [illegible] might [illegible] prevent [illegible] from being [illegible] from the point of view of [illegible] export [illegible]. It would [illegible] the objective of [illegible] and [illegible] Sweden.

92. [illegible] the problem of international [illegible] in the light of the difficulties of developing countries [illegible] secure equitable prices [illegible] the exports of primary commodities. Furthermore, [illegible] to help them [illegible] of primary commodities, particularly [illegible] programmes [illegible] to repay [illegible] debts, especially their external [illegible] greatly limiting their purchasing power, [illegible] their capacities [illegible] cooperative arrangements [illegible] countries.

93. The international monetary system established [illegible] when it was [illegible] already seen that the [illegible] were no longer valid. Developing countries were affected [illegible] by the difficulty of [illegible] to their interests because of the [illegible] policies of developed countries. For that reason it was absolutely necessary that they should have a greater share in the decision-making process with regard to international financial and monetary matters. It was also necessary that they should become a central concern in the international monetary system. In that connexion it pointed out that the seventh quinquennial review of quotas, which should have taken place in January 1978, had not been completed and he drew attention to the proposal made by his delegation at the most recent session of UNCTAD that quotas should be increased by 50 per cent.

94. The desire of some developed countries to solve their short-term problems had adversely affected long-term international economic relations by creating structural imbalances. To overcome the present stagnation, it was obviously necessary that all countries should unite their efforts and think more about the long term, in the light of the interdependence of all partners. His delegation therefore believed that the Board should ask the Secretary-General of UNCTAD to carry out a study on the subject of the possible impact on the establishment of the new international economic order of delays in negotiations on each of its elements, bearing in mind their interdependence.

95. Mr. ABEMIJI (Nigeria) said that the eighteenth session of the Board was crucial both because it was expected to give an impetus to the important negotiating conferences scheduled for the next three months, and because it had the task of preparing the draft agenda for UNCTAD V. The atmosphere of UNCTAD V would depend very much on the outcome of the negotiations, especially regarding the Common Fund, the International Code of Conduct on Transfer of Technology, and the International Rubber Agreement.

96. The importance of the concept of global and sectoral interdependence had been generally recognized. It had long been a topic of interest to the international community. Experience had shown that measures taken by various countries or groups of countries affected other countries which were not party to such unilateral action was inconsistent with efforts to establish a new international economic order, based in particular on equality and on the genuine interdependence of all countries.

97. In resolution 165 (XVI), the Board had failed to reflect the topic of interdependence on the agenda of its regular sessions. It had requested the Secretary-General of UNCTAD to keep its work programme under review. The Board still had before it a draft resolution (TD/B/) which, while commendable, including his own, had consulted on the fourteenth session and still remained valid.

98. It might well be asked why nothing had been done in such fields of major importance. The discussions which had taken place on the subject in UNCTAD and elsewhere had been largely inconclusive, reflecting a setback in the world economy and the fitful development of the external prospects of developing countries. Even the efforts made to solve top priority issues had disappointing results, because they had been made in isolation and not from a comprehensive, co-ordinated approach which would have taken into account fortuitous national and factors.

99. It was obvious that the third session of the Committee for Co-operation among Developing Countries, whose establishment had been decided by the Arusha Summit Conference, whose permanent secretariat had been provided by the Board and which had been given a relevant place in the Lima Plan had been jeopardized by the recent instability of the European financial system. Furthermore, the developing countries' growing internal difficulties drew their regard of endeavours and prevented them from investing in long-term plans. It was high time to initiate co-ordinated action, as the Algerian delegation had suggested, the initiation of the question of interdependence to the agenda of UNCTAD V, which should make an effective contribution towards providing an economic framework.

100. The UNCTAD secretariat, in its present analysis, had laid much emphasis on the difficulties of non-oil-producing developing countries that it gave the impression that all was well with oil-exporting developing countries. He would like to hear the secretariat's explanation in terms of the problems of the latter countries.

101. With regard to UNCTAD V, the delegation was ready with considerable interest the draft provisional agenda (TD/B/). It endorsed the principle of a selective agenda which would include only issues sufficiently advanced to merit consideration at ministerial level, to which work begun within and already been discussed by the Board and its subsidiary organs. The conference